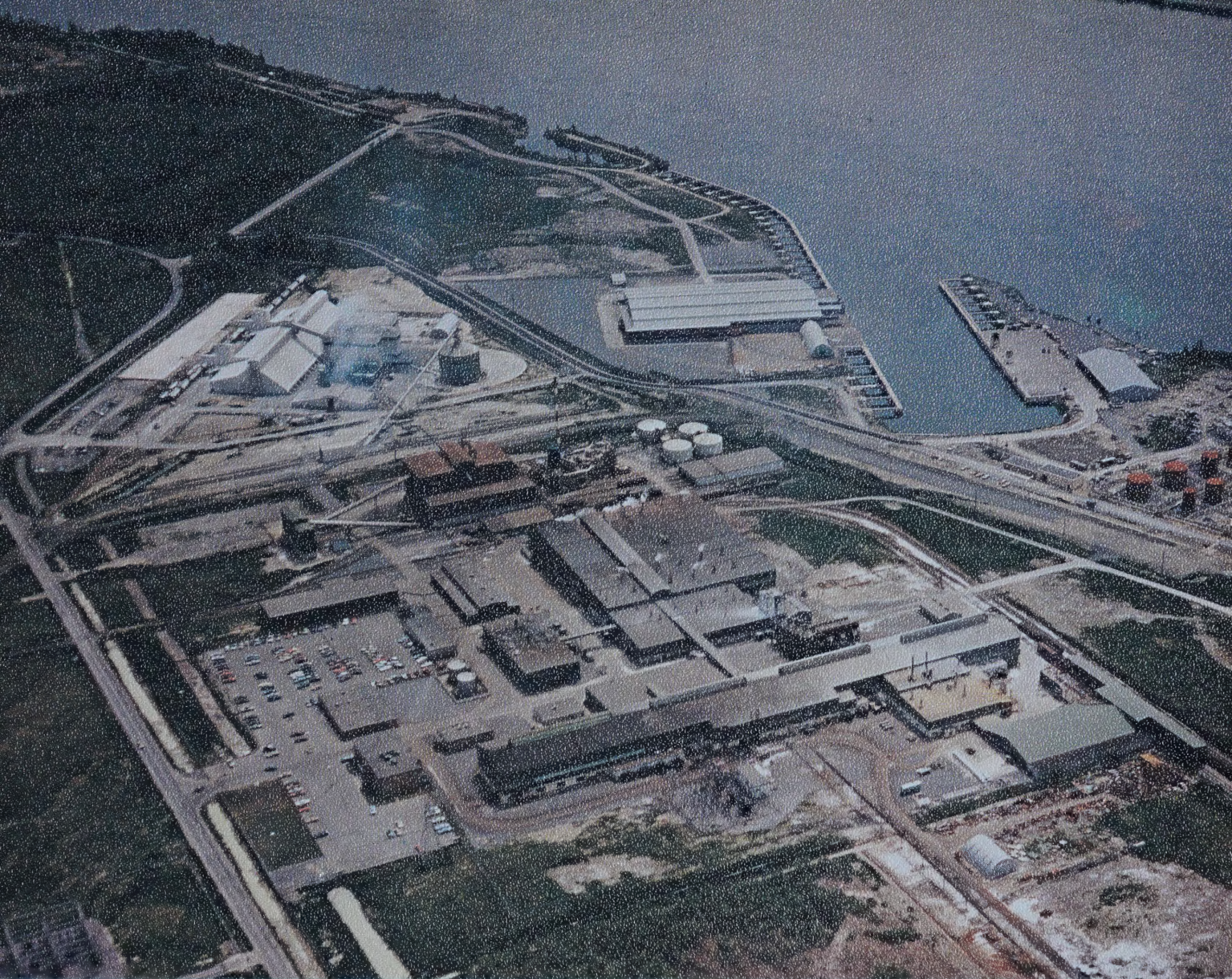


AR52

MATTAGAMI LAKE MINES LIMITED

(NO PERSONAL LIABILITY)

annual report 1973



Aerial view of the 400 ton per day electrolytic zinc plant at Valleyfield, Quebec. Start of construction for the expansion to 620 TPD is at the lower right, the plant of St. Lawrence Fertilizers Ltd. at the upper left, and the City of Valleyfield dock and St. Lawrence Seaway in the background.

MATTAGAMI LAKE MINES LIMITED

(No Personal Liability)

ANNUAL MEETING — Mattagami Lake Mines Limited. Le Chateau Champlain, Montreal, Quebec, on Thursday the 11th day of April, 1974 at 11:00 o'clock in the forenoon (Montreal time).

On peut se procurer la version française de ce rapport en en faisant la demande au bureau de direction de la compagnie, B.P. 45, Commerce Court West, Toronto, Ontario M5L 1B6.

MATTAGAMI LAKE MINES LIMITED *(Incorporated under the laws of Quebec)*
(NO PERSONAL LIABILITY)

Head Office: MATAGAMI, QUEBEC

EXECUTIVE OFFICE:

4500 Commerce Court West, Toronto, Ontario

MINE OFFICE:

Matagami, Quebec

MANAGER:

CAMILLE MARCOUX

AUDITORS:

PEAT, MARWICK, MITCHELL & CO.

Toronto, Ontario

REGISTRAR AND AGENT:

CANADA PERMANENT TRUST COMPANY

Vancouver, Calgary, Saskatoon, Winnipeg, Toronto,
Montreal, St. John, N.B., Halifax, Charlottetown,
St. John's, Nfld.

SOLICITORS:

MILLER, THOMSON, SEDGEWICK, LEWIS &
HEALY

BANKERS:

CANADIAN IMPERIAL BANK OF COMMERCE

DIRECTORS:

M. W. AIRTH Toronto

J. M. R. CORBET Toronto

R. G. DUTHIE Vancouver

J. A. HALL Toronto

N. B. KEEVIL Toronto

R. LETOURNEAU Quebec

T. H. McCLELLAND Vancouver

J. B. REDPATH Toronto

W. S. ROW Toronto

W. DENT SMITH Wilmington

OFFICERS:

W. S. ROW Chairman of the Board

J. A. HALL President

T. H. McCLELLAND Vice-President

M. W. AIRTH General Manager

R. C. ASHENHURST Secretary and Treasurer

B. C. BONE Assistant Treasurer

B. H. GROSE Assistant Secretary

REPORT OF THE DIRECTORS

To the Shareholders:

Submitted herewith is the Annual Report together with the report of the auditors for the year ended December 31, 1973.

EARNINGS

Consolidated net income of \$33.5 million, or \$5.06 per share compares with \$12.4 million or \$1.88 per share before an extraordinary item in 1972. This is the result of higher world metal prices and a full year of production from 60% owned Mattabi Mines Limited. Net income from the Mattabi Mine contributed \$2.66 per share in 1973, the final year it is exempt from federal income tax. St. Lawrence Fertilizers, Limited earned a profit for the first time and contributed \$0.08 per share.

Interim dividends of 30¢ were paid quarterly and an extra 30¢ dividend was paid in December bringing the total for the year to \$1.50 per share. On February 21, 1974 an interim dividend of 35¢ per share was declared payable March 18, 1974.

On February 21, 1974 the directors voted to split the shares of the Company on a two-for-one basis and increase the authorized capital to 20 million shares. While there are no plans to utilize the increased capitalization at this time, it does provide flexibility should an opportunity arise. The by-law providing for the split and increased capitalization is subject to confirmation by the shareholders at the Annual and Special General Meeting on April 11, 1974.

FINANCIAL

Capital expenditures during 1973 totalled \$3.9 million and working capital increased by \$30.8 million to \$57.8 million.

AT THE MINE, Matagami, Quebec

The tons milled per day averaged 3,801 compared to 3,744 tons in 1972. The direct operating costs per ton milled increased 9%, offset in part by improved recoveries for copper and zinc and higher copper concentrate grade.

The mine is reaching an advanced operating stage where difficult ground conditions require more support by timber, steel and concrete. Further mechanization during the year resulted in 75% of the ore being mined by load-haul-dump units compared to 42% in 1972. No new ore has been discovered, though the search continues with further deep diamond drilling

below the No. 1 orebody, scheduled for 1974. Drilling in the nickel-copper zone has outlined 546,970 tons of marginal ore grading 0.39% nickel and 0.28% copper.

Based on a feasibility study and improved metallurgical results for copper, it was decided to install a zinc regrind mill and a computer control system for the flotation circuits. The new mill is scheduled for operation in the second quarter and the control system late in 1974.

Forecasts for 1974 indicate a slight production increase in zinc concentrates and a small decrease in copper concentrates.

CANADIAN ELECTROLYTIC ZINC LIMITED, Valleyfield, Quebec

The zinc reduction plant operated at capacity and produced 148,800 tons of zinc and 598,000 pounds of cadmium.

The rated capacity of the plant is being expanded from 400 to 620 tons of slab zinc per day. Shortages of a wide range of construction materials have caused some delays but the new capacity is expected to come on-stream by mid-1975. Construction costs are escalating rapidly and the outlays for the expansion project are now expected to exceed \$45 million. Mattagami's share of the cost will be about \$14.5 million, of which \$1.9 million was contributed in 1973.

ST. LAWRENCE FERTILIZERS LIMITED, Valleyfield, Quebec

The plant operated at capacity throughout the year and produced a record 105,000 tons of phosphate fertilizers. A profit of \$868,000, the result of improved prices and production, compares with a loss of \$23,000 in 1972. No taxes were payable in 1973 due to a tax loss carried forward.

Recent process improvements are expected to increase production by 10% and although the cost of raw materials has risen considerably, higher product prices should maintain a modest profit level. During 1973 sulphuric acid consumption was 119,000 tons. The acid is a by-product of Canadian Electrolytic Zinc's roasting operation.

GENERAL SMELTING COMPANY OF CANADA LTD.

Federated Genco Limited, owned 40% by General Smelting Company, a subsidiary of Mattagami Lake Mines, had a record year for production and profit in 1973. Markets were strong and metal prices were high for copper scrap, lead alloys, aluminum ingot and zinc dust. Net profit after tax for the year was \$1,140,900 compared with \$170,000 in 1972. Mattagami's share of the earnings is \$285,000.

MATTABI MINES LIMITED, Ignace, Ontario

Net earnings of \$29.4 million are the result of higher metal prices and capacity production of metals contained in concentrates. Loan repayments totalled \$16 million and at year-end the outstanding debt was \$29 million. Significant reductions in long-term debt are expected to continue in 1974.

The grade of ore to be milled during 1974 will be lower than in 1973 but higher than the average grade of reserves.

The open pit is a 3,000 tons per day operation extracting ore from a small high-grade orebody. The wide variation in the grades of zinc, copper, lead and silver require selective mining and blending to supply a satisfactory feed to the mill. In the present planning of currently known ore reserves, the open pit will be mined into 1978 and thereafter production will be from underground mining and reclamation of lower grade ore from stockpile. The underground ore will consist of a major remnant remaining below the final pit bottom (only extractable by open pit methods at a high waste to ore stripping ratio) and minor orezones lying to the east and west of the pit limits. A major diamond drilling program will be started early in 1974 to define the known ore occurrences and to search for additional ore on the Mattabi property. Plans are also being prepared to mine the underground ore reserves.

OUTSIDE EXPLORATION

A highlight of 1973's exploration program was the addition of a million tons to the mineable ore reserves of the Lyon-Lake Creek deposits, as outlined in the General Manager's Report. A feasibility study suggests that the deposits can be mined from a single 1500-foot vertical shaft at a production rate of 1,000 tons per day to provide an acceptable return on investment.

Expenditures for exploration in 1973 were \$843,000. The budget for 1974 is tentatively \$1 million.

METAL MARKETS

Growth in demand for metals and minerals which resumed in 1972 surged upward in 1973 when new consumption and price levels were recorded for most resource products.

Zinc

Western World consumption was up 10% and metal production was at capacity throughout the year. Serious supply shortages developed despite U.S. stock-pile shipments of 267,000 tons and a reduction of 120,000 tons in industry stocks.

U.S. prices were increased from 18½¢ to 20¼¢ per pound by April and then were frozen until December, when, exempted by the U.S. Cost of Living Council, they rose to 28-32¢. Noranda's North American price increased in five steps from 19½¢ in January to 31¢ in December. The overseas producers' price rose from 18.4¢ in January to 32.1¢ in November.

There was no action by the U.S. Congress on industry proposals for additional duties on imports of zinc and lead metal and lead concentrate in excess of import quotas but continued pressure for this type of protection is expected.

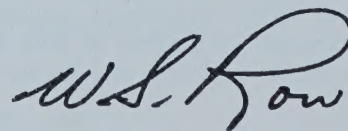
Copper

Refined copper consumption in the Western World showed a sharp rise of 10% over 1972 while production delays and strikes held the increase in refined output to 3%. Stocks held by the commodity exchanges were reduced by an unprecedented 216,500 tons to 42,900 at year-end. As demand gained strength, London Metal Exchange prices rose from 47¢ U.S. per pound in January to a record high of \$1.20 in early December. U.S. producers increased their prices in three steps from 50½¢ to 60¢ during the first quarter. Price controls prevented further rises until December when permission was granted to move to 68¢. Noranda's North American price followed U.S. producer levels until July when it moved to 67¢ and in October to 74¢.

The Directors wish to express their appreciation to Mr. Murray W. Airth, in his capacity as General Manager of Mattagami Lake Mines and Mattabi Mines, and to the Mine Managers, staffs and all employees for their contribution to a successful year of operations.

The results achieved by Mr. Alex Balogh, Manager of Canadian Electrolytic Zinc, and Mr. Guy Pelletier, Manager of St. Lawrence Fertilizers, their staffs and all employees are also appreciated and recognized as a splendid accomplishment.

On behalf of the Board,



President.

Toronto, Ontario,
February 21, 1974.

REPORT OF THE GENERAL MANAGER

Gentlemen:

Operations at the properties of Mattagami Lake Mines Limited, Matagami, Quebec, and Mattabi Mines Limited, Ignace, Ontario, as well as other developments in which the Company is interested, are reviewed in the following report.

MATTAGAMI LAKE MINES

Production	1973	1972
Ore milled — Dry tons	1,387,000	1,370,000
Daily rate — Dry tons	3,801	3,744
Calculated grade of ore milled		
Zinc — %	7.4	7.4
Copper — %	0.57	0.56
Silver — Oz./ton	0.84	0.88
Gold — Oz./ton	0.016	0.017
Zinc concentrate produced		
Short dry tons	178,104	172,134
Grade — % Zinc	52.2	52.2
Copper concentrate produced		
Short dry tons	23,907	23,007
Grade — % Copper	24.8	23.7
Silver — Oz./ton of concentrate	9.15	7.62
Gold — Oz./ton of concentrate	0.149	0.137

The zinc concentrate was shipped to the Canadian Electrolytic Zinc plant at Valleyfield, Quebec, to Quebec City for export overseas, and to the United States.

All copper concentrates were shipped to the smelter of Noranda Mines Limited at Noranda, Quebec.

MILLING

The mill operated 96.4% of the possible time and tonnage treated was slightly higher than in 1972.

Metal recoveries were improved as follows:

	1973	1972
Zinc — %	91.0	88.6
Copper — %	74.5	71.5

The addition of a copper regrind mill in the copper flotation circuit has contributed substantially to improved recoveries and concentrate grades. A similar arrangement for the zinc circuit, presently being installed, should provide further economies.

MINING

During the year mine development continued chiefly in the No. 1 orebody with access headings, exhaust raises, and fringe drifts being driven as required to keep pace with ore extraction.

Mining of both No. 1 and No. 2 orebodies continued as planned with 20% of the mill feed coming from No. 2.

Extension rod drilling totalled 433,000 feet of two-inch hole. At year-end 1,743,000 tons of ore were drilled off. Much of this tonnage is contained in pillars which will be blasted during 1974.

ORE RESERVES

Proven ore reserves, calculated to mining outline, and without allowance for dilution are as follows:

	Tons	Zinc %	Copper %	Gold Oz/Ton	Silver Oz/Ton
No. 1 Orebody	12,663,000	8.7	0.66	0.014	1.03
No. 2 Orebody	965,000	9.2	0.66	0.014	1.02
	13,628,000	8.7	0.66	0.014	1.03

Ore reserves show a depletion of 1,034,000 tons after milling 1,387,000 tons and the addition of 353,000 tons of lower grade material.

FILLING

386,000 tons of classified mill tailings were placed during the year. A total of 5,842,000 tons of backfill have been introduced into empty underground workings with 45 stopes and pillars filled.

PILLAR EXTRACTION

The mining of pillars continued as planned, and this ore made up approximately 35% of the mill feed. Two large pillars, totalling 650,000 tons, are being readied for blasting early in 1974.

PERSONNEL

The average number of employees for 1973 was 437 compared with 434 for the previous year but for the month of December was only 419. Personnel turnover increased to 5.6% per month. Recruiting of adequate manpower has become very difficult. At year-end 79.3% of our employees had seniority of one year or more compared with 79% for 1972 year-end.

MATTABI MINES LIMITED

This mine, owned 60% by Mattagami Lake Mines and 40% by Abitibi Paper Company Ltd. is located about 50 miles north of the town of Ignace in northwestern Ontario. The mill operated at full capacity throughout 1973, its first full year of production.

Production	1973	1972
Ore milled — Dry tons	1,112,000	439,000*
Daily rate — Dry tons	3,046	2,868*
Calculated grade of ore milled		
Zinc — %	11.37	11.97
Copper — %	1.10	1.27
Lead — %	1.06	1.27
Silver — Oz./ton	5.31	4.99
Gold — Oz./ton	0.009	0.007
Zinc concentrate produced		
Short dry tons	202,513	80,378
Grade — % Zinc	55.4	55.14
Copper concentrate produced		
Short dry tons	38,568	17,818
Grade — % Copper	25.5	24.0
Silver — Oz./ton of concentrate	93.91	85.0
Gold — Oz./ton of concentrate	0.165	0.15

Lead concentrate produced		
Short dry tons	12,685	2,744
Grade — % Lead	37.46	36.0
Silver — Oz./ton of concentrate	44.3	57.5

* The mill was started on July 2, 1972 and production commenced August 1, 1972.

The zinc concentrates were shipped to Quebec City for export overseas, to the United States, and to Canadian customers. Copper concentrates were shipped overseas, and to the smelter of Noranda Mines Limited. Lead concentrates were shipped to Trail, B.C.

Milling

The mill operated at capacity throughout the year at an average rate of 3,046 tons per day. Crushing and grinding operations were satisfactory, although the abrasive nature of the ore contributed to high wear costs.

Significant improvements were made in the difficult copper-lead separation process, particularly during the fourth quarter of 1973. Lead in the copper concentrate is undesirable and during the fourth quarter, was reduced to 3.20% compared with 5.17% over the full year. Recoveries were 88.7% for zinc; 80.5% copper and 40.2% for lead.

Silver in the copper and lead concentrates amounted to 4,182,000 ounces with recoveries of 61.7% and 9.5% respectively.

Mining

3,600,000 tons of material were handled by the mining equipment during 1973 at an average rate of 262 tons per manshift compared with 217 tons for 1972. The overall rate of waste, overburden and stockpiled material to ore crushed was 2.2 to 1.

Ore Reserves

A complete re-evaluation of the ore reserves using current open pit mining plans and tentative underground mining layouts shows that after milling 1,612,000 tons from July, 1972 until the end of 1973, there has been a net decrease of 667,900 tons in the reserves, which now contain 12,198,000 tons averaging 6.73% zinc, 0.76% copper, 0.67% lead and 2.60 ounces of silver per ton.

Due to the exigencies of mining, grades of ore treated during 1972 and 1973 were well above the average reserve grade. A total of 608,000 tons of low-grade material had been stockpiled by the end of 1973.

General

There were 270 employees on the payroll at the end of the year. Turnover of personnel continued at an unsatisfactory level, although there has been a steady increase in the stable core of the work force. 53% of the employees had seniority of one year or more at the end of 1973.

The shortage of skilled tradesmen was particularly critical in the mobile equipment repair field.

A further twenty houses were built in Ignace for sale to employees and twelve mobile homes were also purchased.

A small medical clinic was established in Ignace with the co-operation of McMaster University and the Ontario Ministry of Health. This provides a much-needed service to the community.

EXPLORATION AND DEVELOPMENT

Mattagami Lake Mines continued its active exploration program throughout the year with projects in New Brunswick, Quebec, Ontario and Manitoba. The Sturgeon Lake area of northwestern Ontario continued to receive the most attention.

Diamond drilling during 1973 increased the ore reserves on the Lyon Lake and Creek zones about five miles east of the Mattabi Mine.

Mineable ore reserves after dilution down to the 1000-foot horizon are as follows:

Tons	Gold Oz./ton	Silver Oz./ton	Zinc %	Copper %	Lead %
3,096,000	0.011	3.30	6.20	1.15	0.60

Five diamond drills were employed on exploration programs at the year end.

GENERAL

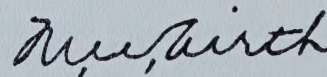
The highlight of the year was the winning by Mattagami Lake Mines of the John T. Ryan Trophy, emblematic of the lowest accident frequency among underground metal mines in Canada. The employees also won the John T. Ryan Trophy Regional Award, as well as the F. J. O'Connell Award of the Quebec Metal Mining Association for mines of its size. The record was achieved during 1971 and 1972 with the presentation being made in early 1973.

The effects of the James Bay Development Project continued to be strongly felt in the area and the population of the town of Mattagami has increased to over 5,000.

The recreational facilities provided by the Company were extensively used and appreciated by the employees.

I record with pleasure the hard work, loyalty and full cooperation received from Mr. Camille Marcoux, Manager, his staff and employees of Mattagami Lake Mines, Mr. John C. White, Manager, his staff and employees of Mattabi Mines, and Mr. John D. Harvey, Manager of Exploration and his staff.

Respectfully submitted,



M. W. AIRTH, P.Eng.,
General Manager.

Toronto, Ontario
February 15, 1974

CONSOLIDATED STATEMENT OF NET INCOME AND RETAINED EARNINGS
Year ended December 31, 1973

	1973	1972
	(in thousands)	
Revenue from production	\$ 106,495	52,082
Expense:		
Costs of production	32,358	23,528
Administrative and corporate	545	441
Exploration	843	833
Depreciation	6,616	3,928
Amortization	1,831	1,112
Interest (note 5)	3,329	1,417
	<u>45,522</u>	<u>31,259</u>
	60,973	20,823
Other income	1,090	494
	<u>62,063</u>	<u>21,317</u>
Income and production taxes (note 4)	16,252	7,116
	<u>45,811</u>	<u>14,201</u>
Minority interest in net income of subsidiaries	12,283	1,752
Net income before extraordinary item	<u>33,528</u>	<u>12,449</u>
Extraordinary item — gain on sale of mining claims (net of \$873,000 income tax)	—	1,891
Net income for the year	<u>33,528</u>	<u>14,340</u>
Retained earnings at beginning of year	44,277	37,872
	<u>77,805</u>	<u>52,212</u>
Dividends paid	9,927	7,935
Retained earnings at end of year	<u>\$ 67,878</u>	<u>44,277</u>
Earnings per share:		
Extraordinary item	\$ —	.29
After extraordinary item	<u>\$ 5.06</u>	<u>2.17</u>

See accompanying notes to consolidated financial statements.

MATTAGAMI LAKE MINES LIMITED *(Incorporated under the laws of Quebec)*
(NO PERSONAL LIABILITY)

and Subsidiaries

CONSOLIDATED BALANCE

ASSETS

	1973	1972
	(in thousands)	
Current assets:		
Cash and short-term deposits	\$ 17,546	14,511
Marketable shares, at cost (market value \$2,625; 1972 — \$2,279)	1,926	1,926
Accounts and settlements receivable	13,644	7,474
Mine products at estimated realizable value	40,858	19,147
Prepaid expenses and other inventories	4,107	3,993
	<u>78,081</u>	<u>47,051</u>
 Fixed assets (note 6):		
Property, plant and equipment, at cost	88,832	85,994
Less accumulated depreciation	40,248	34,240
	<u>48,584</u>	<u>51,754</u>
Mining property and rights, at cost	5,368	5,368
	<u>53,952</u>	<u>57,122</u>
 Other assets:		
Investments	2,774	2,273
Preproduction and deferred development expenditures, at cost less amounts written off	6,075	7,507
Other	2,300	2,012
	<u>11,149</u>	<u>11,792</u>
	<u>\$ 143,182</u>	<u>115,965</u>

See accompanying notes to consolidated financial statements.

LIABILITIES

	1973	1972
	(in thousands)	
Current liabilities:		
Bank loans (note 2)	\$ 975	3,235
Accounts payable and accrued liabilities	6,534	5,161
Income and production taxes payable (note 4(a))	9,879	3,655
Current portion of long-term debt	2,866	8,008
	<u>20,254</u>	<u>20,059</u>
Long-term debt:		
Bank loans (note 2)	25,300	33,893
6% Bonds, maturing 1980	1,400	1,900
6½ % Debentures, maturing 1980	1,150	1,325
	<u>27,850</u>	<u>37,118</u>
Minority interest in subsidiaries	18,798	6,249
Shareholders' equity:		
Capital stock (note 3):		
Shares of a par value of \$1 each. Authorized		
7,000,000 shares; issued 6,620,900	6,621	6,614
Contributed surplus (note 3)	1,781	1,648
	<u>8,402</u>	<u>8,262</u>
Retained earnings (note 4)	67,878	44,277
	<u>76,280</u>	<u>52,539</u>
	<u>\$ 143,182</u>	<u>115,965</u>
On behalf of the Board:		
W. S. ROW, Director.		
J. A. HALL, Director.		

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
Year ended December 31, 1973

	<u>1973</u>	<u>1972</u>
	(in thousands)	
Working capital at beginning of year	\$ 26,992	20,619
Funds provided:		
From operations:		
Net income for the year	33,528	14,340
Minority interest in net income of subsidiaries	12,283	1,752
Charges not requiring cash expenditure — depreciation and amortization	8,447	5,040
	<u>54,258</u>	<u>21,132</u>
Issue of capital stock	140	22
Bank loans	—	11,868
	<u>140</u>	<u>11,890</u>
Total funds provided	54,398	33,022
Used as follows:		
Property, plant and equipment	3,734	17,037
Bank loans repaid	8,593	—
Dividends paid	9,927	7,935
Preproduction and deferred development expenditures	399	1,395
Increase in investments	501	—
Other (net)	409	282
Total funds used	<u>23,563</u>	<u>26,649</u>
Addition to working capital	30,835	6,373
Working capital at end of year	<u>\$ 57,827</u>	<u>26,992</u>

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1973

1. Statement Presentation:

The accompanying consolidated financial statements include the accounts of Mattagami Lake Mines Limited and all its subsidiaries of which the principal operating ones are Mattabi Mines Limited and St. Lawrence Fertilizers Ltd.

2. Bank Loans:

The bank loans outstanding at December 31, 1973 are as follows:

Operating	\$ 975,000
Capital	28,070,000
	<u>\$29,045,000</u>

The operating loans are payable on demand and the capital loans are repayable \$520,000 on September 30, 1974 and \$2,250,000 quarterly December 31, 1974 to March 31, 1977 inclusive with the unpaid balance due June 30, 1977. The loans are secured by First Mortgage Debentures providing for a first fixed and floating charge on all the property and assets of Mattabi Mines Limited. Payment of dividends or any other distribution by Mattabi on its capital stock may not be made without prior written consent of the banks until the loans are repaid.

3. Stock Options:

Under the provisions of The Stock Option Plan, options on 7,325 shares were exercised during the year for \$140,719 cash of which \$7,325 was attributed to capital stock and \$133,394 to contributed surplus. At December 31, 1973 options on 11,100 shares were outstanding at prices varying from \$26.34 to \$34.62 for periods up to 1982.

4. Taxes on Income:

- (a) The companies are claiming capital cost allowances and depreciation which differ from the related amounts in the companies' accounts and provide in their accounts only for the taxes payable on their taxable income for the year. This accounting treatment differs from the tax allocation basis by which the income tax provision is based on income reported in the accounts. The effect of the difference between these two accounting practices is not material.
- (b) Under the provisions of income tax legislation, no taxes are exigible on Mattabi's income during exempt periods commencing August 1, 1972 when the mine came into production and ending December 31, 1973 for federal taxes and July 31, 1975 for Ontario taxes. Mattabi's contribution to the company's net income on a consolidated basis was \$17,632,000 for 1973 (\$2,651,000 for 1972).

5. Interest on Long-Term Debt:

Interest on long-term debt totalled \$3,226,000 (1972 — \$2,534,000, of which \$1,183,000 was included in fixed assets and preproduction and development expenditures).

6. Fixed Asset Additions:

Approved fixed asset additions total approximately \$12,500,000 over the next two years.

7. Remuneration of Directors and Senior Officers:

The aggregate direct remuneration paid to directors and senior officers during 1973 was \$132,000 (1972 — \$119,300).

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Mattagami Lake Mines Limited (No Personal Liability) and subsidiaries as of December 31, 1973 and the consolidated statements of net income and retained earnings and source and application of funds for the year then ended and have obtained all the information and explanations we have required. Our examination of the financial statements of Mattagami Lake Mines Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion, except that the provisions for income taxes and provincial mining duties have not been computed on the tax allocation basis as explained in note 4, and according to the best of our information and the explanations given to us and as shown by the books of the companies, these consolidated financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company and subsidiaries as of December 31, 1973 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
February 12, 1974

PEAT, MARWICK, MITCHELL & CO.,
Chartered Accountants



A diamond drill program was recently initiated to outline additional economic tonnages below the previously drilled Lyon Lake Zone on wholly-owned claim group 23 in the Sturgeon Lake area of Northwestern Ontario. This drilling is testing a favourable structure at greater depth than previously and indicates a further ore zone. To date nine drill holes have been completed, seven of which have intersected ore grade values as follows.

	Oz. per Ton		Per Cent			
	Gold	Silver	Zinc	Copper	Lead	
D.D.H. No. 180—Section 64+00 East, 138+00 North (—65° Grid South)						
724.5 - 759.7 (35.2')	0.011	4.30	7.91	0.57	1.51	
D.D.H. No. 182—Section 66+00 East, 138+00 North (—55° Grid South)						
737.2 - 740.8 (3.6')	0.019	6.47	13.20	1.80	0.83	
807.2 - 810.8 (3.6')	NIL	3.67	5.50	0.44	0.34	
829.7 - 837.8 (8.1')	NIL	3.21	8.24	2.18	1.16	
D.D.H. No. 184—Section 64+00 East, 140+00 North (—65° Grid South)						
851.5 - 896.7 (45.2')	0.011	8.46	12.72	1.60	1.43	
964.8 - 967.2 (2.4')	0.012	6.82	7.60	0.72	1.42	
D.D.H. No. 186—Section 64+00 East, 142+00 North (—70° Grid South)						
1102.4 - 1111.7 (9.3')	0.008	3.74	6.97	1.41	0.48	
D.D.H. No. 188—Section 62+00 East, 140+00 North (—65° Grid South)						
765.0 - 778.1 (13.1')	0.012	9.29	12.20	1.98	1.76	
D.D.H. No. 189—Section 62+00 East, 142+00 North (—65° Grid South)						
981.4 - 992.1 (10.7')	0.024	7.92	15.27	1.29	2.08	
D.D.H. No. 190—Section 64+00 East, 142+00 North (—65° Grid South)						
1019.2 - 1031.0 (11.8')	0.005	1.18	0.63	1.03	0.07	
1046.1 - 1049.2 (3.1')	0.043	1.63	3.49	0.87	0.38	
1114.8 - 1121.0 (6.2')	0.008	2.63	9.38	0.71	0.90	
D.D.H. No. 191—Section 62+00 East, 144+00 North (—65° Grid South)						
NO SIGNIFICANT ASSAYS						
D.D.H. No. 192—Section 66+00 East, 140+00 North (—65° Grid South)						
NO SIGNIFICANT ASSAYS						

Drill hole nos. 181, 183 and 185 were recently completed beneath the previously indicated Creek Zone but did not intersect any ore grade mineralization. Diamond drilling is continuing with three machines beneath the Lyon Lake Zone where the above ore grade values are located.

Increased profits over last year are due to higher metal prices, improvements at St. Lawrence Fertilizers and results from Mattabi Mines which commenced production in August 1972.

MATTAGAMI LAKE MINES LIMITED

(No Personal Liability)

INTERIM REPORT TO SHAREHOLDERS

Six Months Ended June 30

1973

MATTAGAMI LAKE MINES LIMITED

(No Personal Liability)

INTERIM REPORT TO SHAREHOLDERS

CONSOLIDATED FINANCIAL SUMMARY	For the six months ended June 30, 1973 (Unaudited)	
	1973	1972
	(in thousands)	
OPERATIONS		
Revenue from production	\$ 43,110	\$ 20,588
Expense		
Cost of production	16,087	11,285
Exploration expenses	509	347
Depreciation and amortization	4,189	1,548
	<u>20,785</u>	<u>13,180</u>
Net operating income	22,325	7,408
Investment income	421	284
Income before interest expense and taxes	<u>22,746</u>	<u>7,692</u>
Interest expense	1,591	73
Income and production taxes	6,322	3,069
	<u>7,913</u>	<u>3,142</u>
Net income before deduction of minority interest	14,833	4,550
Minority interest in earnings of subsidiaries	3,263	187
Net income	<u>\$ 11,570</u>	<u>\$ 4,363</u>
Earnings per share (6,617,800)	<u>\$1.75</u>	<u>\$0.66</u>

SOURCE AND APPLICATION OF FUNDS

Source: Operations — net income	\$ 11,570	\$ 4,363
— minority interest in earnings of subsidiaries	3,263	187
— depreciation and amortization	4,189	1,548
Other	151	11
Bank loans	—	13,775
	<u>19,173</u>	<u>19,884</u>
Application: Long-term debt	4,518	423
Fixed assets (net)	1,076	11,657
Deferred development	125	2,792
Investments (long-term)	(15)	—
Dividends	3,969	3,968
	<u>9,673</u>	<u>18,840</u>
Increase (decrease) in working capital	<u>\$ 9,500</u>	<u>\$ 1,044</u>

MATTAGAMI LAKE MINES LIMITED

(No Personal Liability)

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INFORMATION CIRCULAR

This Information Circular is furnished in connection with the solicitation of proxies by the management of Mattagami Lake Mines Limited (No Personal Liability) (the Company) for use at the Annual and Special General Meeting of the Shareholders of the Company to be held on Wednesday, the 11th day of April, 1973, at the time and place and for the purposes set forth in the Notice of Meeting.

The execution and return of the enclosed instrument of proxy is solicited by the management of the Company. The solicitation will be primarily by mail, the cost of which will be borne by the Company.

Voting of Proxies

A Shareholder giving a proxy in the form enclosed has the power to revoke it at any time before it is exercised. A Shareholder has the right to appoint a person to represent him at the meeting other than the persons designated in the form of proxy. Such right may be exercised by filling in the name of such person in the blank space provided in the form of proxy. The Quebec Companies Act provides that no person shall act as a proxy unless he is entitled on his own behalf to be present and vote at the meeting or has been appointed to act at the meeting as proxy for a Corporation.

Voting Shares and Principal Holders Thereof

At the close of business on February 15th, 1973, there were outstanding 6,613,575 shares of the Company of a par value of \$1.00 each. Shareholders of record at the time of the meeting are entitled to one vote for each share held.

Canex Placer Limited as of February 15th, 1973, owned 1,796,076 shares of the Company, representing 27.2% of the outstanding shares and Noranda Mines Limited as of February 15, 1973, owned 2,075,000 shares of the Company representing 31.4% of the outstanding shares.

Election of Directors

The Board consists of ten directors to be elected annually. Each director so elected will hold office until the next Annual Meeting or until his successor is duly elected or appointed. It is the intention of the persons named in the enclosed form of proxy to vote for the election of the proposed nominees whose names are set forth below, all of whom are now directors of the Company and have been since the dates indicated. If any of the proposed nominees should for any unforeseen reason, be unable to serve as director of the Company, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion.

The following table and notes thereto set out the names of the ten persons proposed to be nominated for election as directors, all positions and offices with the Company now held by them, their principal occupation or employment, the year in which they became directors of the Company, and the approximate number of shares of the Company beneficially owned directly or indirectly by each of them.

<u>Proposed Nominees</u>	<u>Principal Occupation</u>	<u>Director Since</u>	<u>Number of Shares Owned</u>
M. W. Airth Toronto, Ontario Director	General Manager of the Company	1970	500
J. M. R. Corbet Toronto, Ontario Director	Company Director	1958	15,000
R. G. Duthie Vancouver, British Columbia Director	Vice-President, Project Developments of Placer Development Limited (a mining company)	1966	51
J. A. Hall Toronto, Ontario Vice-President and Director	Vice-President — Mine Projects, Noranda Mines Limited	1971	1,000
Norman B. Keevil Toronto, Ontario Director	President & Chairman, Teck Corporation Limited (a mining company)	1971	100
R. Letourneau, Q.C. Quebec City, P.Q. Director	Senior partner in the legal firm of Letourneau, Stein, Marseille, Delisle & LaRue	1963	5,000
T. H. McClelland Vancouver, British Columbia Vice-President and Director	President and Chief Executive Officer, Placer Development Limited (a mining company)	1959	1
J. B. Redpath Toronto, Ontario Director	President, Dome Mines Limited	1958	1,100
W. S. Row Toronto, Ontario President and Director	Executive Vice-President, Noranda Mines Limited	1959	5,000
W. Dent Smith Wilmington, Delaware Director	Company Director	1967	1

Note: The information as to shares beneficially owned, not being within the knowledge of the Company, has been furnished by the respective directors individually.

Remuneration of Directors and Senior Officers

1. Aggregate direct remuneration paid or payable by the Company and its subsidiaries in 1972 to the directors and senior officers of the Company \$ 119,337
2. Estimated aggregate cost to the Company and its subsidiaries in 1972 of all pensions proposed to be paid to the directors and senior officers of the Company under existing plans in the event of retirement at normal retirement age \$ 5,358
3. During 1972 senior officers of the Company purchased common shares of the Company pursuant to stock options granted to them by the Company as follows:

Quarter in 1972	Number of Common Shares purchased	Purchase Price Per Share	Price Range of Shares on Toronto Stock Exchange
January — March	500	\$11.69	\$26 ⁷ / ₈ — \$37 ³ / ₄
	200	\$26.34	\$26 ⁷ / ₈ — \$37 ³ / ₄
July — September	900	\$11.69	\$32 ¹ / ₄ — \$35

(The option price is fixed at 95% of an average trading price of the shares on the Toronto Stock Exchange at the time the option is granted.)

Management Contract

Noranda Mines Limited performs certain functions of management in connection with the operations of the electrolytic zinc reduction plant (62½ % owned by the Company) for which the Company paid \$112,500 in 1972 and Noranda Mines Limited provides accounting and head office facilities for the Company for which the Company paid \$130,000 in 1972.

The names and addresses of the insiders of Noranda Mines Limited are: James C. Dudley, 521 Fifth Avenue, New York, N.Y. 10017; Hon. G. B. Foster, Q.C., 3301-1155 Dorchester Blvd. W., Montreal 2, Quebec; Louis Hebert, 511 Place d'Armes, Montreal, Quebec; William James, 1506-44 King Street West, Toronto 1, Ontario; André Monast, Q.C., 500 Grand Allée East, Quebec, P.Q.; J. D. Simpson, 700 Burrard Bldg., Vancouver 5, B.C.; W. P. Wilder, P.O. Box 139, Commerce Court, Toronto 1, Ontario; J. N. Anderson; R. C. Ashenhurst; J. R. Bradfield; W. G. Brissenden; E. K. Cork; J. A. Hall; K. C. Hendrick; J. O. Hinds; L. G. Lumbers; R. L. Pepall, Q.C.; R. V. Porritt; Alfred Powis; R. P. Riffin; W. S. Row; D. E. G. Schmitt; and A. H. Zimmerman, P.O. Box 45, Commerce Court, Toronto 1, Ontario. The management of Noranda Mines Limited has advised the Company that Hollinger Mines Limited of 2412, 44 King St. West, Toronto 1, Ontario, owns 1,801,520 shares, or approximately 7.4% of the outstanding shares of Noranda Mines Limited and that Labrador Mining and Exploration Limited, of 601 - 1155 Dorchester Blvd. W., Montreal 2, Quebec, an affiliate of Hollinger Mines Limited owns 815,310 shares, or approximately 3.4% of the outstanding shares of Noranda Mines Limited.

Appointment of Auditors

The persons named in the enclosed form of proxy will vote for the reappointment of Messrs. Peat, Marwick, Mitchell & Co., Chartered Accountants, Toronto, as auditors of the Company, to hold office until the next Annual Meeting of Shareholders.

By-Law Number 11

The shareholders of the Company will be asked to consider, and if thought fit, to confirm By-law Number 11 passed by the directors of the Company on the 12th day of April, 1972. This By-law provides for a change in the Company name to permit the use of the name in French. For complete text of such By-law your attention is drawn to Exhibit "A" hereto.

General

The management of the Company knows of no matters to come before the meeting other than the matters referred to in the notice of the meeting. However, if any other matters which are not now known to the management of the Company should properly come before the meeting a proxy given pursuant to this solicitation by the management of the Company will be voted on such matters in accordance with the best judgment of the person voting the proxy.

DATED this 5th day of March, 1973.

EXHIBIT "A"

BY-LAW NUMBER 11

BE IT ENACTED AND IT IS HEREBY ENACTED as By-Law Number 11 of Mattagami Lake Mines Limited (No Personal Liability) (herein referred to as the Company).

Subject to approval of the Minister of Financial Institutions, Companies and Co-operatives the name of the Company be changed from Mattagami Lake Mines Limited (No Personal Liability) to

MATTAGAMI LAKE MINES LIMITED
(No Personal Liability)
MINES LAC MATTAGAMI LIMITÉE
(Libre de responsabilité personnelle)

ENACTED this 12th day of April, 1972.

WITNESS the corporate seal of the Company.

"W. S. ROW"
President

"R. C. ASHENHURST"
Secretary

C.S.